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Cuba's Agriculture

Britain and the Common Market

Stores Show U.S. Foods

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

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Cover:

Flags, balloons, and a store-window crate dressed up exhibits of U.S. foods in two foreign stores. Turn to pages 12 and 13 for stores on the recent campaigns.

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Cuba's Agricultural Output Is Lagging Despite Shifts in Farm Policy

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Since the present Cuban regime took power in January 1959, the country's economic ship has sailed a sharply irregular course. Steering first toward agricultural diversification and the manufacture of goods for domestic use, it tacked abruptly in the opposite direction in 1963, toward maximum production of sugar for export—a course it has maintained. For most of the 1959-67 period, only continuous economic aid by the Soviet Union—at an estimated rate of $350 million annually—has kept the Cuban economy afloat, although recently Cuba has received credit from several West European countries.

Outside assistance does not mean, however, that Cuba is enjoying a measure of prosperity. On the contrary, its economy is essentially on a subsistence level with many basic foods in short supply and severely rationed. Agricultural output, in a losing race with population increase, has remained well below the level of 1957-59. Partly because of this agricultural lag, the total and per capita gross national products have continued to fall. Virtually all of Cuba's industry, agriculture, and foreign trade remains under strict government control; and any betterment of the economic situation for the Cuban people appears to be remote.

Sugar production, vital to Cuba's foreign trade, has not been meeting the long-range goals.

How close Cuba will come to meeting the much-publicized 1970 goal of 10 million tons of sugar continues to be a matter of speculation. A study made in 1966 concluded that Cuba then lacked both the necessary agricultural resources and the processing facilities for turning out an annual volume of 10 million tons. In addition, prices in the world sugar market, which dipped below 2 cents per pound in 1967, have been a poor incentive to Cuba for producing any more sugar than is called for

Greater agricultural investment and renewed priority for sugar production have not helped Cuba's farm output regain the 1957-59 level

by its own domestic needs plus its trade agreement commitments to the Soviet Union. In the rather unlikely event that Cuba met the 10-million-ton goal by 1970, it would be in severe competition with other exporting countries for markets outside the Soviet Union, both in Communist and non-Communist countries, unless sugar production elsewhere than in Cuba takes a downward turh between now and 1970.

Thus far, all-out Cuban efforts have failed to reach the record sugar output of more than 7 million tons, attained in pre-Castro 1952. The closest to a new record was in 1961, when the crop yielded 6.8 million tons, largely as the result of cutting large areas of cane left standing in previous years because of production controls.

For 1965, the goal of 6 million tons was met; but for 1966, sugar output slumped to only 4.5 million tons. Production for 1967 reached 5.6 million tons or 75 percent of the goal of 7.5 million, owing mainly to a record-early start (Nov. 30) in cane-cutting and a crash program for the supply of production requisites including labor.

The spring and summer of 1967 brought unusual activity in modernizing and expanding Cuba's sugar-milling capacity for the new crop of cane. This was made possible by a $112-million loan from the Soviet Union. Scarce labor was also mobilized for the sugarcane harvest, even to the point of placing severe restrictions on competing urban employers. Harvesting of the 1968 sugarcane crop commenced on November 6, several weeks earlier than even the precedent-breaking early start of the preceding season.

Despite all these special preparations, the sugar trade estimates that Cuba's 1968 output may not much exceed 5 million tons. This amount would equal the trade agreement commitment to the Soviet Union for the year. The low production in prospect is attributed to the severe storms of last fall and winter, the drought conditions that prevailed in the north Caribbean during most of this spring and summer, and persistent management and incentive problems.

Under the head of management problems might be included the lengthening of the harvest period both this year and last. Since the sucrose content of the cane is normally low both early and late in the season, lengthening the harvest at both ends results in lower sugar yields. It also results in overcutting which tends to reduce output for the following year.

Farm policy has shifted from land reform to crop diversification to re-emphasis on sugar exports.

Cuba's general economic and agricultural policies have performed several gyrations since the present government took over. In 1959-61, the regime placed primary emphasis on institutional changes, particularly land reform; and during this period, production goals and policies drifted. However, it gave increased attention to the central planning that is characteristic of Communist countries.

For 1962-65, the government drafted a development plan, with the dual aims of a 10-percent annual increase in gross national product and agricultural diversification to end the country's traditional dependence upon exports of sugar.

By mid-1963 the plan's failure was obvious, and major shifts were instituted. These included increased investment in agriculture and priority for greater output of sugarcane and livestock products.

There have been limited gains in total agricultural output, but they have been offset by increasing population. The index of total agricultural output stood at 96 for 1955-59 (1957-59 = 100), but it dropped sharply to 86 for 1960-64, indicating the scope of the agricultural failure. Some recovery was realized in 1965 when the index reached 89, but it plummeted to 75 in the following year. For 1967 the index of output increased to an estimated 85, but it is expected to decline again in 1968 with the poor sugarcane harvest that is in prospect. These output trends have generally reflected the ups and downs of the sugar harvest, which accounts for approximately one-half of Cuba's agricultural production.

Cuba's trade is still mostly agricultural and still directed mostly to Communist countries.

Trade policy throughout the years since 1959 has remained strongly oriented toward the Communist countries, largely through barter arrangements. As a result, such trade has increased from less than 5 percent of total trade—exports plus imports—to over 80 percent.

Agricultural commodities account for about 95 percent of Cuba's total exports and 25 percent of its imports. Farm exports are mostly sugar, which earns three-quarters of all foreign exchange. Imports principally consist of wheat and flour, rice, and corn.

Nearly 20 percent of Cuba's foreign trade at present takes place with non-Communist nations, principally Canada, Japan, France, Spain, and the United Kingdom. In this trade, too, sugar is a major export item; but sugar trade is sometimes indirect, like Japan's purchase of more than a quarter of its 1967 requirements from firms based in Western Europe and dealing exclusively in Cuban sugar.

On the import side, an important non-Communist supplier of wheat and flour to Cuba has been Canada; and last February the United Kingdom sold Cuba a $40-million plant for the manufacture of fertilizer.

Although some reports indicate that there are frequent signs of Soviet displeasure with the present independent turn of Cuban

foreign policy, the feeling persists that the Soviet Union will not permit the Cuban economy to become bankrupt.

Perhaps it is in part because of this reasoning that Cuba—which has been suffering from a chronic shortage of foreign exchange—has been able to obtain credits from a number of non-Communist countries, including France, Spain, and Italy. Such credits have reportedly lessened the economic pressures that have been created by trade embargoes and restrictions imposed by the United States and other countries.

In January 1964, the Soviet Union signed a long-term trade agreement with Cuba to take a total of 24.1 million metric tons of sugar through 1970, in specified annual quantities. The quantities agreed upon were as follows: For 1965, 2.1 million metric tons; for 1966, 3.0 million; for 1967, 4.0 million; and for 1968, 1969, and 1970, 5.0 million each.

The price agreed upon was apparently equal to about 6 cents per pound. How realistic this price is may be a matter for conjecture, since the reported terms were 20 percent payable in dollars and the balance in barter, including agricultural commodities, industrial items, and military equipment. The Soviet Union has also been a market for minor agricultural exports from Cuba, such as tobacco. In recent years, Cuban trade with Communist China and other Communist countries has declined in importance, leaving the foundering Cuban economy primarily dependent upon the support it has been receiving from the Soviet Union.

The Kennedy Round—and U.S. Tobacco

Tobacco concessions granted to the United States during the Kennedy Round of negotiations under the General Agreement on Tariffs and Trade are expected to improve the competitive position of the United States in major export markets for tobacco and tobacco products.

The United States is the world's largest exporter of unmanufactured tobacco and cigarettes. It is also a substantial importer of oriental (Turkish-type) leaf tobacco, which it does not produce but which it uses in the manufacture of high-quality blended cigarettes; of cigar filler; of high-value cigars; and of pipe tobacco.

In 1964—the base year used in Kennedy Round negotiations—the United States exported a total of $545 million worth of tobacco products ($413 million unmanufactured and $132 million tobacco products), of which $367 million went to countries participating in the Kennedy Round. It received concessions on $162 million of this trade.

In addition, the United Kingdom made an agreement with the United States to reduce the British Commonwealth margin of preference on unmanufactured tobacco by 25 percent when the United States eliminates the ASP (American Selling Price) method for customs valuation on certain products. In 1964, the United States supplied the United Kingdom with $115 million in unmanufactured tobacco.

U.S. imports in 1964 of tobacco and tobacco products were valued at $114 million, of which $91 million was from countries participating in the Kennedy Round. The United States granted concessions on $81.5 million in imports of unmanufactured oriental-type tobacco and on $1 million in imports of the higher priced cigars and a small amount of snuff.

Concessions received by the United States

Unmanufactured tobacco—The United States received concessions on unmanufactured tobacco in 10 markets (EEC countries were counted as one), covering 1964 imports of U.S. leaf valued at about $148 million. Total U.S. exports of raw tobacco were $413 million, of which $309 million went to countries participating in the Kennedy Round.

A concession of potential importance to U.S. tobacco trade was that received from the EEC on $102 million in imports of unmanufactured tobacco valued at less than $1.27 per pound. This item covers practically all EEC tobacco imports from the United States except cigar wrapper. The pre-Kennedy Round duty is composed of an ad valorem component of 28 percent with a maximum specific charge of 17.2 cents per pound and a minimum specific charge of 13.2 cents per pound.

As a result of this spread between maximum and minimum charges, U.S. tobacco has been at a competitive disadvantage in the EEC market relative to supplies from other non-EEC countries. Because of its comparatively high quality and price, U.S. tobacco is generally dutiable at the maximum rate, while lower priced tobacco from non-member competitors is assessed at rates up to 4 cents per pound lower.

In the Kennedy Round the EEC agreed to reduce the ad valorem component from 28 percent to 23 percent, the maximum charge from 17.2 cents per pound to 15, and the minimum charge from 13.2 cents per pound to 12.7.

This narrows the spread between the charges assessed on tobacco from the United States and those assessed on other non-member-country tobacco. Also, through reduction of the maximum charge, it improves the competitive relationship between U.S. tobacco and tobaccos produced within the Member States of the Community.

As a consequence, the overall competitive position of U.S. tobacco in the EEC market should be enhanced. However, the EEC is currently in the process of developing a new common agricultural policy for tobacco. The final provisions of this policy could play a significant role in determining the future level of U.S. tobacco exports to the Community.

Other concessions received on unmanufactured tobacco which are expected to be of moderate value in maintaining or expanding exports included 50-percent reductions in duty by Austria on $3.5 million of imports from the United States, by Finland on $4.0 million, and by Canada on $1.3 million in U.S. cigar wrapper. Elimination by Hong Kong of the Commonwealth preference on raw tobacco imports from all suppliers except Malawi covered $4.9 million in U.S. trade. Of some significance were bindings of existing duty-free treatment by Denmark, Norway, and Sweden which covered $27 million in imports from the United States. Although these countries produce virtually no tobacco, binding of free rates will provide U.S. suppliers with additional assurance of continued market access. India also made a 50-percent duty reduction on unmanufactured tobacco (imports from the United States, $754,000), and Argentina, on its small imports of cigar wrapper.

Commodities covered in this article are unmanufactured tobacco and manufactured tobacco products. Most international trade is in cigarette leaf, cigar filler, cigar wrapper, cigarettes, cigars, and pipe tobacco.

Manufactured tobacco products—The United States received a 50-percent reduction in the 180-percent duty on EEC *cigarette* imports, accounting for $7.8 million in U.S. trade. This reduction was the result of concurrent negotiations in the Kennedy Round and under Article 24:6 of the General Agreement on Tariffs and Trade, the purpose of which was to resolve prior U.S. claims against the EEC for imposition of higher cigarette duties in most of its member countries when it adopted the common external tariff in 1962.

In other concessions, Sweden halved the duty on cigarettes weighing over 0.85 gram each, of which the United States supplied $3.0 million; Austria reduced duties by approximately 33 percent on $540,000 in U.S. trade; and Finland cut cigarette duties by 50 percent on a relatively small amount of U.S. trade. The main effects of these reductions will be to reduce the margins of preference enjoyed by member countries within the EEC and EFTA. Production of U.S. cigarette brands under license within these areas is expected to increase, and the duty reductions may stimulate production of the higher quality brands in which a greater percentage of U.S. tobacco is used. Canada also agreed to bind the present 25-percent duty on cigarettes, in a concession which covers $1.0 million of imports from the United States.

Minor concessions on *cigars* were received from the EEC, Canada, and Sweden. These are expected to have little effect on overall U.S. exports of the products, but some increases may occur in shipments to Canada.

Canada, the EEC, and Sweden made concessions on *cut tobacco*. Canada agreed to reduce the duty from 45 cents per pound to 40 cents on imports of $440,000 from the United States. The EEC reduced the duty on cut tobacco products by 35 percent, covering about $110,000 in U.S. trade, and Sweden halved its duties on this item, covering small imports from the United States. Although these reductions are expected to stimulate imports, the United States is not the principal supplier of cut tobacco to these areas.

Concessions were received from the EEC and Sweden on certain *other tobacco products*. The EEC made 35-percent cuts in duties on snuff, powdered tobacco, extract, and sheet "homogenized" leaf, affecting $195,000 in U.S. trade. Sweden agreed to bind duty-free treatment on a number of manufactured tobacco products, of which the United States supplied $145,000. These reductions are not expected to have much effect on U.S. exports, although the concessions by the EEC could stimulate imports of tobacco extract.

Concessions granted by the United States

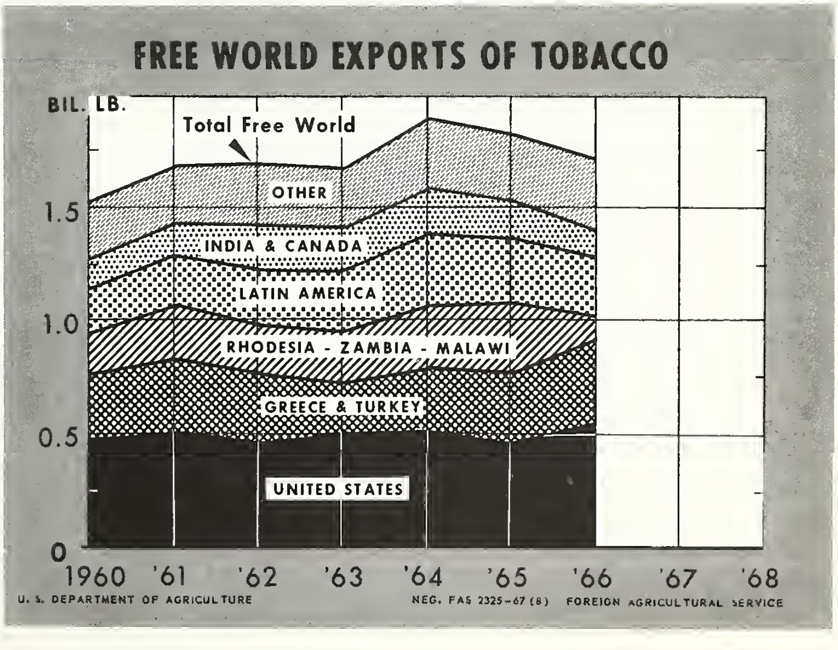
Unmanufactured tobacco—Total U.S. imports of unmanufactured tobacco in 1964 were 169 million pounds valued at $109 million, of which 118 million pounds valued at $81.5 million were oriental types. The U.S. duty on this oriental leaf was reduced by about 10 percent, from 12.75 cents per pound to 11.50 cents. These tobacco types are used mostly in the manufacture of blended cigarettes. Turkey, Greece, and Yugoslavia are the principal U.S. suppliers.

No concessions were granted on a number of important domestically produced tobaccos including flue-cured, burley, Maryland, dark type, and the cigar types such as cigar wrapper, binder, filler, and scrap or stems. Total 1964 imports of these items were valued at about $26 million, mostly cigar filler (including scrap) with some wrapper. The cigar filler is supplied mainly by the Philippines and certain Latin American areas, which did not participate in the Kennedy Round negotiations.

Manufactured products—The United States granted concessions on only two manufactured products: cigars with a foreign value of over 15 cents each and snuff. The Canary Islands and Jamaica will be the main beneficiaries of the reduction on the higher priced cigars, and these areas can be expected to increase their incomes from sales as a result of the reduction. However, no significant increase is expected in the volume of imports into the United States, for the demand in this country appears relatively stable. Nor are imports of snuff expected to increase.

The United States granted no concessions on cigarettes, on cigars and cheroots with a foreign value of 15 cents or less each, or on smoking tobaccos. Total 1964 imports of these manufactured products were valued at $4.5 million and consisted mostly of smoking tobacco.

The chart at right shows foreign sales of tobacco by each of the Free World's principal tobacco-exporting countries during the early 1960's—before and immediately after the year (1964) that was used as a base for the Kennedy Round deliberations. Largest single supplying country has been the United States.



British Agriculture and EEC Membership

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Despite the current stalemate over the United Kingdom's application for membership in the European Economic Community, the eventual union of these two important trading areas appears inevitable. When that day comes, the British must be prepared for substantive changes in their farm incomes, balance of payments, and food costs.

Several studies—in the form of the government's White Paper, articles in National Farmers Union (NFU) publications, and independent studies—have been done on the extent of prospective changes. Most of these assume that with EEC membership, Britain would be subject to the EEC's agricultural support system, including financing of the European Agricultural Guidance and Guarantee Fund (EAGGF).

Although differing in details, these studies do agree on some of the broad implications of Community membership for British agriculture. In brief, they foresee the following changes: British commodity prices would rise, but higher production costs for certain livestock products and other commodities would cause total net farm income to remain about the same. Britain's balance of payments would be adversely affected by the higher cost of imported foods and by payments to the EAGGF. And consumer food costs would rise 10-14 percent, pushing the cost of living up 2.5 to 3.5 percent.

EEC versus U.K. policy

The EEC's Common Agricultural Policy, which is now complete in its broad formulation, contrasts sharply with Britain's agricultural policy. Principal differences are as follows:

• Under Community arrangements, producer returns depend on price support measures which are backed up by variable import levies, import tariffs, domestic support buying, and export subsidies. As a result, the Community is a highly protected market. Access to the British market is much freer. Generally, commodities produced in the United Kingdom sell at prices closer to world levels. Farmers' receipts are supplemented by a deficiency payments system, which brings producer prices for the "standard quantity" up to a guaranteed level.

• The second basic difference between U.K. and EEC agricultural policies lies in the method of support. Under the EEC system, the main cost is borne directly by the consumer through higher market prices. In Britain, the cost is largely borne by the taxpayer. Generally speaking, the British consumer pays lower prices, and the taxpayer makes up the difference between world prices and guaranteed prices. Direct grants to certain producers provide an additional subsidy.

• The third basic difference between the two agricultural policies is the type of control placed on imports. Generally, the EEC maintains a managed market on imports, whereas the U.K. system allows suppliers freer access. This of course, does not mean the EEC is a managed market for all agricultural imports, nor does it mean that the United Kingdom is free of restrictions on agricultural imports.

Plowing championships like the one this farmer is participating in may well go on and on in Britain, but EEC membership would certainly bring dramatic changes to other phases of the country's agriculture.

Impact on British farm income

The British White Paper points out that any assessment of the overall effect of Britain's joining the Common Market must be speculative. The paper points out that total farm revenue will increase considerably but so will producer costs (one-third of which are for feedstuffs). Aggregate net farm income might be roughly the same, but the distribution of net income would change. Beef producers, possibly sheep farmers, and especially cereal growers would benefit. On the other hand, dairy, pig, and poultry farmers (and sections of the horticultural industry) would suffer net income declines.

Farmers in hill country and other marginal farming areas would be faced with the additional prospect that government grants aimed at helping such areas might have to be terminated. Consequently, their net income position may depend on whether some comparable assistance could be provided under EEC policies. One possible source of assistance would be under the Guidance Section of EAGGF.

Under EEC policies, a changed price and income situation would cause some types of farming to expand and others to contract. The following paragraphs detail—by commodity—some of the adjustments expected if the United Kingdom were to become a member of the EEC. Unless otherwise noted, comments are those of the White Paper.

Grains. Grains account for approximately 12 percent of gross

Analysis and monetary conversions in this report were made before the devaluation occurred; conversions are based on the pound sterling equal to \$2.80. For information on the effects of devaluation, see the January 8, 1968, issue of *Foreign Agriculture.*

farm receipts in the United Kingdom. All studies on U.K. accession to the EEC expect profitability of grain output to rise.

The government's White Paper points out that the U.K. price of wheat would increase from $69.86 per metric ton to $97.83 if the grain intervention price at Rotterdam were applied to Britain (with adjustments for transportation charges from farms and seasonal price changes). Barley prices would also rise, going from $67.51 per metric ton to $84.05. NFU estimates slightly higher grain prices with seasonal averages of $96.45-$99.21 per ton for wheat and $82.67-$85.43 for barley. Increases of this magnitude would stimulate production.

(On October 26, 1967, the EEC Council of Ministers agreed to higher barley, corn, rye, and beef and veal prices for the marketing year 1967-68. With the new prices, grain production would continue to expand. Increased beef prices should help producers defray rising feed costs and induce additional production. Cost and price estimates in this article do not reflect the October price adjustments.)

Higher costs seen for livestock output

Higher grain prices would also increase livestock production costs. The NFU estimates that higher feed prices might increase the cost of producing milk by 3 to 4 cents per gallon; pork, by about $5.00 per hundredweight (live weight); eggs, by about 7 cents per dozen; broilers, by over 3 cents per pound (live weight); and beef, by about $1.25 per hundredweight (live weight). Actual changes in production costs would depend on the rations used after economical feed substitution possibilities were exhausted.

These feed cost estimates may be slightly high, however, since NFU estimates of U.K. grain prices under EEC membership are above those of the White Paper. NFU feed cost estimates are not based on Common Market prices established in October 1967.

Beef cattle. The EEC system of common external tariffs and guide prices (supported by import price regulations and support buying and export refunds) would be expected to increase U.K. cattle prices, thus increasing profitability and production.

But any expansion in output must be viewed cautiously because of four factors. First, higher feed costs would tend to reduce net profits. Second, increased grain acreages would compete with grass acreages previously used for beef production. Third, a substantial portion of beef production comes from the dairy herd, the size of which depends upon the profitability of dairying. Fourth, part of the United Kingdom's beef production is from store (feeder) cattle imported from the Irish Republic. If the United Kingdom should join the Common Market, access of Irish store cattle to the British market might be limited. On the other hand, if Ireland also joined the Community, the U.K. market might offer little more attraction than the markets of some other member states.

The NFU notes that higher net returns to U.K. beef producers would be possible in the EEC. However, it also contends that production increases would be less than those under the present British system. Since EEC market prices fluctuate more than guaranteed prices, NFU officials feel that producers are not likely to undertake the investments necessary for maximum expansion.

Milk and milk products. Milk and milk products account for nearly one-fourth of gross farm receipts in the United Kingdom. Under the EEC system, output of milk in the United Kingdom would be expected to fall. If the U.K. average price was changed to meet the EEC target price of 39 cents per gallon, it would represent a reduction of about 1 cent per gallon. As it stands, rising production costs (increased grain costs) would reduce profitability, thus causing output to fall.

Indications are that the reduced profitability of milk production could lead to winter shortages of milk for fluid consumption. The problem would arise from adoption of the dairy support system of the EEC—where three-fourths of the milk sold is used in manufacturing—in the United Kingdom—where 70 percent of production is consumed as fluid milk.

Hogs. Since the single market stage and target prices for pork production had not been introduced in the EEC when the White Paper was prepared, few conclusions were reached. The following recent comparison of prices and costs under the two systems offers some basis for analyzing probable developments.

On July 1, 1967, the EEC established a single market for pork with a target price of $33.34 per hundredweight, live weight. Government agencies are required to intervene in the market if the price of pork falls to 85-92 percent of the target price. NFU estimates the higher grain prices will raise pork production costs by approximately $5.00 per hundredweight, live weight. Assuming the EEC price of pork is 92 percent of the target level, British farm prices would be approximately $30.67 per hundredweight, live weight, compared with the 1967-68 guaranteed price for pork in the United Kingdom of about $25.00. Under these circumstances net farm returns from U.K. pork production would be about the same whether "inside" or "outside" the EEC. U.K. pig production would probably expand but not as much as it would have under the present system.

Eggs and poultry. The NFU estimates that with U.K. egg prices remaining at much the same level under EEC membership—a conclusion in the White Paper—increased feeding costs and loss of the price guarantee would lead to a fall in producer incomes of more than 14 cents per dozen eggs. The White Paper itself concludes that profitability would be lower in the entire poultry sector and that production in the United Kingdom would be increasingly concentrated in the hands of large-scale producers.

Horticultural products. The effects on the United Kingdom of adapting the EEC system for horticultural products would stem mostly from increased competition from current EEC members. In general, this increased competition would tend to reduce profitability and curtail U.K. production. The same effect holds for nonedible as well as edible horticultural products.

Sugarbeets. The profitability of sugarbeet production in the United Kingdom would increase at EEC price levels. The overall effects, however, as emphasized by the NFU, would depend on the actual production quota set for the United Kingdom. Equally important is the nature of arrangements regarding the Commonwealth Sugar Agreement, under which two-thirds of Britain's sugar requirement is imported.

Potatoes. Membership in the EEC would result in a higher level of protection for domestic potato producers. However, average prices in the EEC are lower than in the United Kingdom, and profitability might decrease.

Output in 1975

In a long-range supply and demand report prepared by G. T. Jones of Oxford University, output of selected commodities has been projected to 1975 for the United Kingdom. Jones supplies production projections based on three different assumptions: (1) Continuation of present U.K. policies with some reduction in deficiency payments; (2) a switch from deficiency payments

to tariff support measures; and (3) a policy which might result from successful negotiations with the EEC. These projections, shown in the following table, are not intended to quantify output specifically but to provide directional estimates.

PROJECTIONS OF U.K. PRODUCTION OF SELECTED AGRICULTURAL PRODUCTS

Item	Unit	Base period 1959-63	1975 With continuation of present policies	1975 With tariff support	1975 As an EEC member
Cereals	1,000 m.t.	9,549	15,215	14,933	16,271
Beef cattle	Do.	864	1,009	1,033	983
Milk	Mil. gal.	1,927	2,526	2,507	2,443
Mutton and lamb	1,000 m.t.	249	300	290	273
Pork and bacon	Do.	685	898	835	821
Poultry meat	Do.	319	546	550	567
Eggs	Mil. doz.	1,073	1,391	1,363	1,336
Horticultural products	Mil. dollars	456	529	529	512
Sugar	1,000 m.t.	773	957	957	957
Potatoes	Do.	4,329	4,516	4,532	4,394

Jones, G. T., *Report on the Projected Level of Demand, Supply, and Imports of Farm Products for the United Kingdom in 1970, 1975, and 1980.*

Jones agrees with the White Paper's expected movement in grain areas and sees a substantial expansion in production occurring by 1975. At the same time a trend toward reduction in farm numbers should occur.

Jones disagrees with the White Paper on the effect U.K. membership in the EEC would have on milk production. He expects milk output to rise under any of the three assumptions, although U.K. production would be less under EEC membership than if present national policies were continued. Beef output will also rise, according to Jones, but he notes that expanding grain production will compete with beef and milk output.

Other projections by Jones show production of pork and bacon, poultry meat, eggs, sugar, and potatoes trending up by 1975.

Horticultural production in the United Kingdom would be adversely affected under Community membership. Both Jones and the White Paper are in agreement on this, although Jones believes the value of production would still increase by 1975.

Balance of payments and consumer food costs

There is general agreement among the studies that agricultural income per se will not be a primary consideration in U.K. membership negotiations. Prime Minister Wilson, speaking to the Labor Party on April 27 of 1967, and T. Kempinski, in his University of Manchester study, agree that the greatest problem would be the negative effect on Britain's balance of payments brought about by contributions to the EAGGF. On the other hand, G. B. Redmayne, in a Westminister Bank Review article in the British Section of the European League for Economic Co-operation, sees increased food costs as the main problem area. Perhaps this difference of opinion is one of emphasis: in the first case the focus is on economic aspects, while in the second case the focus is on political aspects. There is no question, however, that these are two main problem areas.

The strain on the British balance of payments would stem essentially from two main sources, both derived from Britain's position as the world's largest food importer.

First, many British imports from third countries would be subject to a variable import levy; 90 percent of this levy would be paid into the EAGGF, which would be largely used to finance intervention buying and export subsidies in other members.

Second, British imports from other EEC countries would be at the full EEC price, whereas the U.K. trade balance now benefits from lower world prices. There is less concern about capital outflow to the current EEC countries, as this movement would tend to be offset by opposite flows. The net cost to the British balance of payments after any transitional period has been estimated at $490 million and $700 million annually by the White Paper and the NFU, respectively, and at $595 million—the arithmetic average of these other two projections—by T. K. Warley in his studies on the cost of joining the Common Market.

If Britain joins the EEC, the cost of food will rise. However, the extent of this rise is still quite controversial. Assuming that world prices continue at existing levels and that the EEC's common prices remain unchanged, the White Paper estimates that consumer food costs would rise between 10 and 14 percent—the equivalent of a 2.5- to 3.5-percent increase in the cost of living. This assessment takes into account the probability that some food prices—e.g., for a number of fruit and vegetable items—might be lower in the Common Market. However, for most foodstuffs—particularly certain basic foodstuffs such as mutton and lamb, beef, pork, eggs, sugar, foodgrains, and butter—prices would be higher. The food cost estimate also allows for some change in the pattern of consumption with the substitution of cheaper foods for more expensive ones.

Kempinski estimates that under certain conditions consumers' total expenditure on home-produced food could be $940 million greater than present food costs—equivalent to a 6-percent increase in total expenditures on all food. Kempinski's analysis, however, does not take into consideration changing production and consumption patterns brought about by price changes. Nor does the analysis include the increased cost of imported food. On the other hand, Kempinski does adjust his initial estimate by including tax reductions made possible by the change in the system of agricultural supports. He estimates that under EEC policies a savings of $654 million would accrue to the U.K. taxpayer. Thus, Kempinski's final estimate of the cost increase in home-produced food amounts to 1.6 percent of expenditures (1964 data) by the private sector on all consumer goods and services.

T. K. Warley's analysis of the impact on living costs of EEC membership follows a different route. He attempts to answer the question: For the year 1970, what would have been the effect on the cost of living had Britain joined the Community in 1963 and made an immediate start in adopting its agricultural policies now effective? Accounting for changing patterns of consumption and production and using various assumptions, Warley concludes that the rise in the current retail-price index would be between 2.5 and 3 percent. However, if tax savings on items entering the cost-of-living index are considered, the rise in the retail-price index would be reduced to 1.5 percent.

The NFU inserts a note of pessimism concerning food costs. Generally, it concedes that a rise in consumer prices would be partially offset through a saving to the Exchequer in the costs of the agricultural support system. However, the NFU feels the consumer should not rely on any reduction in taxation because it is likely the Exchequer would be required to continue making payments to the EAGGF.

Dorothy H. Jacobson, Assistant Secretary for International Affairs, USDA, represented the United States at the recent pledging conference of the World Food Program. Following is her report on the conference.

World Food Program Draws Financial Support

The World Food Program (WFP), jointly sponsored by the United Nations and the Food and Agriculture Organization, held its third pledging conference January 8 at the United Nations, New York, to obtain resources for 1969 and 1970. Forty-seven countries pledged a total of about $119 million in commodities, cash, and services toward a goal of $200 million. Representatives of 17 nations indicated that their governments would make WFP pledges for 1969-70 at a later date.

Of the $119 million pledged, $80 million was in the form of commodities, $21 million in cash, and $18 million in services.

U.S. pledges up to $100 million

The United States pledged commodities, shipping services, and cash up to a total value of $100 million toward the $200-million goal for 1969-70. This pledge included up to $70 million in commodities subject to the condition that the U.S. commodity contribution not exceed 50 percent of total contributions from all countries. The United States also will provide shipping services for all commodities it gives to the WFP. In addition, this country will contribute cash sufficient to cover 40 percent of reasonable and necessary administrative costs for the World Food Program, provided that this does not exceed $3 million for 1969-70.

Commodity pledges made by other donor countries at the conference totaled about $40 million; this means that under the matching principle the United States is now committed to supply commodities worth $40 million, as well as necessary shipping services to deliver them to countries of destination. Additional commodity pledges from other countries, some of which are already anticipated, will result in more U.S. commitments, which could rise to the $70-million ceiling.

Behind the United States conditional terms is the wish to uphold the truly multilateral nature of the WFP by keeping U.S. contributions in balance with those of other nations. Since the World Food Program began in 1963, the United States has pledged a total of up to $202 million in food commodities, $65.5 million in shipping services, and $15 million in cash. The commodities it provides consist chiefly of foodgrains, feedgrains, vegetable oil, and milk powder.

Two major uses

With additional resources assured for 1969 and 1970, the World Food Program will continue its twofold endeavor of supplying food to meet emergency needs where natural disaster strikes and of supporting economic development. In general, up to 25 percent of its resources can be assigned to emergency food aid requests requiring resources worth $44 million.

The remaining three-fourths of WFP food is used in developing countries, mainly as part wages on agricultural and community development projects. Combined with labor and other capital inputs, the donated food assists in improving facilities and in upgrading the diets of workers.

Among the people helped by this food aid are Korean workers involved in tideland reclamation, flood-control, and water-storage projects. In 10 other countries, WFP food goes to workers on forestry projects aimed at soil conservation, watershed management, erosion control, and development of shelter belts for crop protection. India, Malta, and Syria are benefiting from livestock improvement projects in which WFP feedgrains are used to demonstrate modern feeding practices. And in four African countries, small-scale attempts have been made to use WFP grain in price stabilization schemes.

School feeding and refugee resettlement programs designed to develop future human skills are also underway. Several hundred thousand school children and technical school students are receiving WFP food. In Brazil's São Francisco Valley, for instance, such food is attracting greater school attendance, and the program is being expanded to include 150,000 children in 3,500 schools. In Morocco, school enrollment has been increased 15 to 20 percent through similar programs.

At the end of 1966, some 21 child-feeding projects were underway. Traditional starchy diets of the children being fed were being rounded out with more proteins and locally produced fruits and vegetables.

Altogether the World Food Program has approved about 250 development projects in 70 countries in which it will invest nearly $250 million in resources. Of these, about 130 are operational or have been completed.

Compared with worldwide bilateral food aid, which ranges between $1.5 billion and $2 billion per year, WFP food aid appears small, having an annual value of about $60 million. However, this aid has had a multiplier effect; WFP food inputs represent only about 20 percent of the total value invested in its projects, with the host governments contributing four times as much in additional food, cash, and services.

A changing world

Since the first pledging conference of the Program was held, many changes have taken place in the world.

In the United States, the vast stockpiles of surplus grains have disappeared, and plans must be made for the production of enough food for domestic use, commercial exports, and food aid through bilateral and multilateral programs.

Here and elsewhere people have become much more aware of the world food problem and much more determined to mobilize all resources necessary to solve that problem. They are now aware that the scientific and technological knowledge necessary to achieve the solution exists and that a world without hunger could be achieved within this generation if this knowledge could be put to use.

The World Food Program is but one component, although a very important one, of the total effort of the United Nations to banish hunger in our generation. As the joint sponsorship of the World Food Program clearly indicates, attaining freedom from hunger is a task involving cooperation by many parts of the United Nations system.

Promotion Helps To Push U.S. Plywood in New Markets

By HAROLD O. SCHADT
Manager, Export Department
American Plywood Association

Softwood (structural) plywood, a material used extensively in the United States and Canada in constructing houses and office buildings and for industrial purposes, has in the past had negligible sales by U.S. firms outside of North America. The United States, which is the world's largest softwood plywood producer (about 13 billion square feet in 1966), now exports less than 1 percent of its output. In contrast, Canada, which produced 1.7 billion square feet in 1966, exports more than it uses itself.

The softwood plywood industry is one of the fastest growing in the United States. Although markets are also expanding within the country, increased overseas markets would add desired stability to demand and prices.

Now the American Plywood Association has signed a cooperative agreement with FAS to help promote U.S. plywood overseas. The Association and FAS hope to swell the present trickle of exports to Western Europe and Japan into a respectable stream. Major emphasis will be placed on convincing the overseas construction markets of the merits of U.S. plywood. Lesser efforts will try to sell plywood to industries and agriculture. Softwood plywood, made from nondeciduous trees such as pine and fir, is used for such diverse applications as sheathing, exterior siding, subflooring, decking on which to fasten waterproof roofing, and forms for poured cement. It is also used for industrial containers, pallets, and manufactured items.

Fortunately, at the same time that the United States wants to find export markets for softwood plywood, it is becoming accepted in Western Europe and Japan as a reliable construction material. Preliminary estimates for 1967 exports of softwood plywood are more than double 1966 export figures (47.7 million square feet in 1966; 100.0 million square feet in 1967).

Part of the acceptance is due to changing tastes in home building in parts of Europe. Traditionally, Europeans preferred houses with masonry construction and tile roofs. But now, in Denmark and the United Kingdom especially, a trend is developing in favor of wood frame construction in residences and the use of plywood for certain applications.

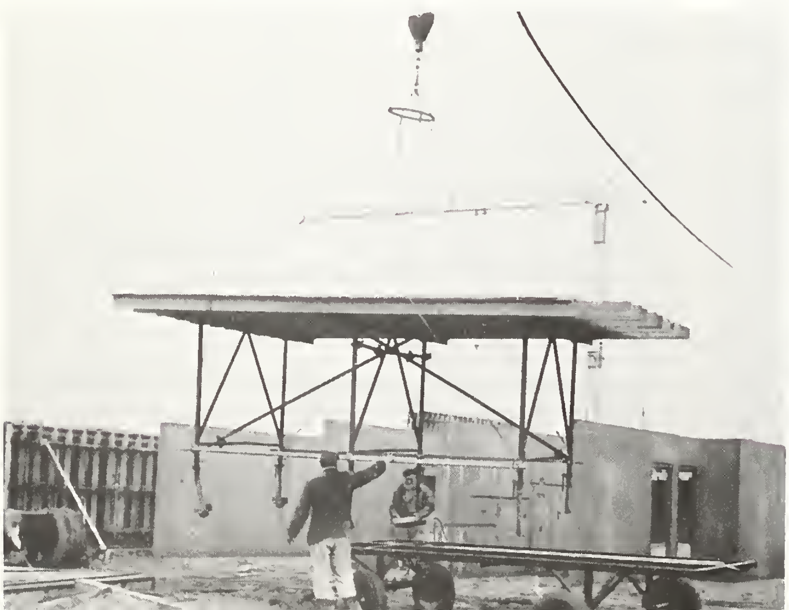
Another reason for increased exports is the demand for new homes in both Europe and Japan because of expanding populations. A slowdown in the European economy and tight money retarded growth of the housing industry there the last few years, but European builders now feel that construction is going to accelerate.

Also, interest is growing in containerization, including marine cargo containers made out of softwood plywood with an overlay of plastic reinforced with fiber glass. The marine cargo containers are becoming popular in world shipping because of their lightness, ease of repair, strength, and durability. Countries with sizable merchant navies, such as Japan, Great Britain, Germany, and the Netherlands, will probably greatly expand production or purchase of the containers in the near future, thus providing greater scope for plywood sales.

Duty on American-made softwood plywood will be lowered in many countries as a result of the Kennedy Round negotiations. Lower duties will, of course, be a favorable factor to U.S. plywood exports.

International plywood standards

A possible future benefit to U.S. plywood exports would be the formulation of an international softwood plywood standard. A draft of an international standard that has already been presented to the International Standards Organization (ISO) makes little mention of softwood plywood—all the countries that drew up the specifications are exporters or importers of hardwood plywood primarily. In 1967, however, an official of the American Plywood Association attended an ISO meeting in Romania, and the Association is now assisting in the development of a standard for softwood plywood. The proposed standard will be presented to the ISO for action.



Left, platform floor forms being hoisted into place in the Netherlands. Below, forms in row building.

One present obstacle to increasing exports is the reluctance of manufacturers to guarantee landed costs at foreign ports for a reasonable period. European and Japanese plywood buyers say they need stable costs for at least 6-month periods so that they can plan their buying and selling expenses. Stable U.S. plywood costs would show overseas importers that U.S. producers are in the export market to stay.

Varied interests push sales

The different European countries and Japan import U.S. plywood for different purposes, in different quantities, and have various prospects for increased sales. The bright spots in Europe for U.S. exporters are Denmark and the United Kingdom.

Danes like wood construction and textured plywood surfaces with stain finishes. Construction activity is brisk, and considerable amounts of plywood are used for sheathing, roof decking, subflooring, and exterior siding. Denmark produces no structural plywood itself. In 1966 it imported 6.4 million square feet, worth $668,000, from the United States. By the middle of 1967 more U.S. plywood had been sold in Denmark than in all of 1966, and estimates are that the total for 1967 is about 20 million square feet.

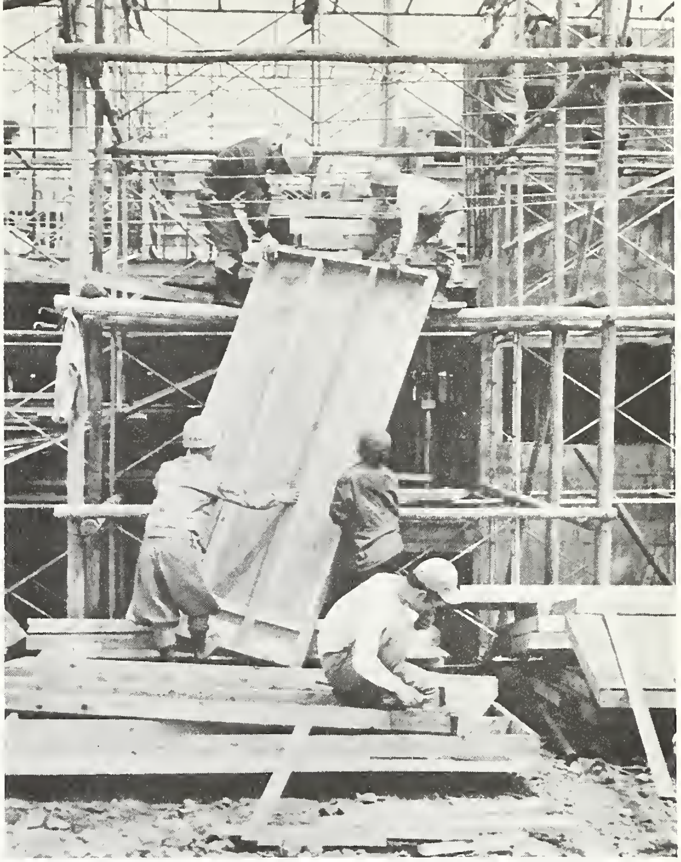
The United Kingdom, with over 52 million people and 500,000 housing starts a year, already has an established market for softwood plywood. Much of it is used in industrial packaging, but more than half of all plywood is used for concrete forms. In addition, plywood is used in residences with wood-frame construction. During the first 9 months of 1967, U.S. plywood exports to the United Kingdom were about 11 million square feet. During the same time, Canada sold 235 million square feet of plywood in the United Kingdom. There is no duty on Canadian plywood entering U.K. ports.

In the Netherlands the most common use of plywood is for concrete forms. In the first 9 months of 1967, about 1.5 million square feet of U.S. softwood plywood was imported. Imports of textured plywood for exterior siding may not grow as rapidly as in other European countries because the Dutch prefer brick exteriors. However, a definite market exists for sheathing, roof decking, and subflooring.

Although West Germany has been slow to adopt wood construction, some parts of the country, such as the south and south-central sections, show interest. Through August 1967, 1.7 million square feet of U.S. plywood was brought into the country. Two-thirds of the plywood had special finishes and was for use as interior wall panels or exterior siding. The sale of specialty plywoods (exterior siding and interior paneling) is expected to increase rapidly.

Plywood use increasing

Other European countries import lesser amounts of U.S. softwood plywood. In Belgium there is a wide interest in plywood construction. Sweden uses American-made specialty sidings in constructing homes and other types of softwood plywood for limited agricultural applications such as animal sheds and body parts of farm machinery. Norway is just beginning to use plywood, and efforts to promote U.S. softwood products have thus far been through the distribution trade, the Norwegian Building Research Institute, and contractors. Italy and Spain now buy small amounts of U.S. plywood but have future market potential, as do Austria and Switzerland. As the overseas staff of the American Plywood Association is expanded, such countries will be targets for additional investigation and expanded promotion.



Japanese demonstration construction project showing use of American softwood plywood for concrete forming. Man in foreground is nailing supports to plywood panels.

Japanese imports of softwood plywood fall into several categories. The commonest type at present is used for forming concrete. Specialty plywoods (decorative interior paneling or exterior siding with a textured surface) are being used in both large constructions and private homes. The Japanese traditionally like wood, and wood with texture has a particular appeal. In 1966 Japan imported 2.9 million square feet of softwood plywood from the United States; during the first 10 months of 1967 imports jumped to 8.6 million square feet of constructional plywood.

Partly because of large 1967 purchases of plywood from the United States and Canada and partly because of Japanese overproduction of lauan plywood (made of imported Philippine mahogany logs), the plywood market in Japan is depressed. This condition is expected to persist during much of 1968. But because the Japanese Government has initiated a program which aims at building 6.7 million housing units the next 5 years, the expected market for plywood for both single-family home construction and apartment-building construction is good. Another recent development in Japan that should increase plywood use is that individuals can now obtain mortgage financing from commercial banks for home construction and other buildings.

The total market potential for plywood in Japan is large now and is growing. It is significant that forest products as a whole have beome the second largest category of Japanese imports.

In addition to Japan, other areas of the Far East, such as Taiwan and Korea, are developing rapidly and may represent future markets for structural plywood.

Samples--proffered and poured.

Italy's First Store Campaign

Minimax's U.S. exhibit was inspected by U.S. Ambassador Frederick Reinhardt, left, with U.S. Agricultural Attaché Robert Tetro and store partner David Brandon.

The first FAS-sponsored in-store promotion of American foods in Italy was held in the Minimax stores of Rome last month. The chain consists of six large American-type supermarkets. Minimax's owners—American brothers Ralph and David Brandon—have located their stores in neighborhoods where leadership in the selection of new food products is exercised by foreigners and traveled Italians—high-income, nontraditionalists likely to take on new ideas and try new foods.

Minimax supermarkets carry over 1,200 American food products, many now produced in Italy under license. The purpose of the 2-week promotion was to encourage faster turnover of U.S.-made items and to introduce new ones.

American foods such as corn flakes, turkeys, and peanut butter are being bought in quantities which indicate that Italian families like them. As one of the Brandon brothers put it, "We know that Italians are going for food items that were never sold here before. There just aren't enough Americans here to eat all the peanut butter we're selling."

The American cake mixes which proved popular with Italian housewives at the Red Cross Bazaar in Rome last year were a special promotion item at Minimax.

Promotion tools included shopping bags and balloons with American Foods motif, flyers featuring specially priced U.S. foods, point-of-sales materials such as posters and cards, demonstrators for U.S. turkeys and cake mixes, and newspaper advertising of U.S. foods. In the stores American travel scenes from the U.S. Travel Service and Pan American Airlines were prominently displayed.

Although Italian "Mom and Pop" stores also offer American foods, supermarkets like Minimax—which appeal to the nontraditionalists and which have adequate display space—offer U.S. exporters the best sales and promotion opportunities in Italy. **—W. Glenn Tussey**
Assistant U.S. Agricultural Attaché, Rome

Inside one of the Minimax stores, customers going through checkout counters pass under American flags and cubes covered with color U.S. travel scenes.

Manila Baking School Director Discusses Accomplishments

"It is inevitable that the use of wheat products, and therefore wheat consumption, will go up in the Philippines," according to Richard F. Gonzalez, who is doing much to make his prediction come true.

Mr. Gonzalez, who is retained as a baker consultant by Wheat Associates, USA—an FAS cooperator in overseas market development for U.S. wheat—is particularly well satisfied with the success of the Bakers School of the Philippine College of Arts and Trades in Manila. Mr. Gonzalez is temporarily acting as director of the school, which was set up last summer by the college, Wheat Associates, and the Philippine Flour Millers Association.

Popular short course

The 5-week baking course begun by the Bakers School last August has already become the most popular in the entire college. It now has a waiting list of over 200. In the three sessions completed by the end of 1967, 105 students completed the course and received its Certificate of Proficiency in Baking. So far, most of the students have been owners of small bakeries.

To accommodate this number of students, classes—originally limited to 18—were enlarged and two shifts a day were instituted at the latest session. When products baked by the class are sold on campus, students from every school in the college queue up to buy them.

According to its prospectus, the Baking School was organized "to introduce modern and scientific baking techniques to fit the needs of the local baking industry." It provides "bakers, bakery owners, and other interested parties through actual participation, lectures, and workshops with an opportunity to refine the techniques and to develop appropriate skills so as to improve the quality of bread as well as enhance the profitability of the trade."

Although the baking school course stresses instruction in breadmaking, students also learn to make cookies and cakes. The course of study also includes instruction in maintenance of plant sanitation and the economics of production and marketing.

"Bread" to a Filipino is synonymous with *pan de sal*—a small hard roll, usually eaten at breakfast. Mr. Gonzalez believes that more and more Filipinos will use bread as a staple item in their diet as bakers improve the quality of their product. Bakers can both improve quality and increase their profits by using modern machinery and baking techniques, improving business methods, and adopting strict sanitary standards.

One of the first items of machinery needed by many Philippine bakeries in the modernization process is a dough mixer. An American company in the Philippines is reported to be interested in manufacturing mixers for use, locally.

According to Mr. Gonzalez, the small neighborhood bakery in the Philippines is not likely to be replaced soon by large bakeries, such as those in the United States, that market their products over a wide area. Both transportation problems (such as traffic congestion) and economics militate against such a changeover. Housewives can now buy bread from a small local bakery for about half the price of bread that has been wrapped and transported to a grocery store.

Baking school activities are one element of a bread-improvement program, which, in turn, is part of a 3-year nationwide bread-promotion campaign. The campaign is sponsored by Wheat Associates and the Philippine Flour Millers Association. Mr. Gonzalez, in addition to directing the baking school and training instructors for it, has also organized teams of technicians to advise Philippine flour millers and bakers on request.

Since the Philippines grows no wheat, any increase in its bread consumption makes it a bigger market for wheat—of the more expensive high-protein kinds—from the United States and other exporting countries. Climatic conditions in the Philippines are such that a strong bread flour is required—flour that can be made only from high-protein wheats.

In fiscal year 1967 the Philippines imported 501.5 thousand metric tons of wheat, 95 percent of which came from the United States. Philippine per capita consumption of wheat products is only about 30 pounds a year, compared with about 80 pounds in Japan—another rice-eating nation—and 150-160 pounds in the United States.

Israel Sees American Foods at Shalom

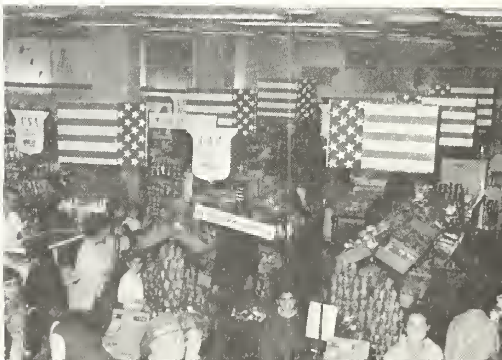
America Week, a first for U.S. advertising in Israel, scored a hit during the 2-week campaign in the Shalom Stores that closed December 3. The 500,000 visitors who came liked what they saw and bought 80 percent of the U.S.-made food and industrial products on sale for a total of nearly $30,000. Store turnover for the fortnight was 3 times that of the 2 weeks preceding the fair. The show was jointly sponsored by the U.S. Department of Agriculture and Commerce.

At the store's food center—highlighted by an oldtime country store—intake increased 400 percent and 90 percent of American foods available were sold. Marshmallows were especially popular, but candies, soups, fruit preservatives, dietetic foods, spices, canned vegetables and fish, biscuits, and coffee were also featured and well received. Top-quality food and attractive packaging were important drawing factors during the campaign.

Credit for much of the success goes to the festive American mood established. For the occasion the food center became a replica of a typical American department store, with an extra emphasis on Americana and hospitality. A pavilion was put up for the display and sale of U.S. products, exhibitions, and performances. These included a space exhibit and several daily performances by an Indian dance group. At the store's entrance stood a 30-foot Statue of Liberty, an American flag, and a statute of Abraham Lincoln. Airline hostesses greeted visitors and store restaurants served American dishes exclusively. Pancakes and pies were the special favorites.

Success with this first effort has prompted immediate planning for a repeat performance in spring 1970. In the meantime, an American products corner is planned for the store.

Inside Shalom store.



U.S. Soybean Oil Export Team Reports Sales Prospects and Problems

The soybean oil export promotion team reports that prospects for U.S. oil exports into the countries visited are favorable for the current season, but there are some uncertainties to overcome.

The team conferred with government and trade representatives in Morocco, Tunisia, Iran, Pakistan, and India during the period November 18 through December 7. It reports that U.S. soybean oil has an excellent reputation with manufacturers in these markets and can be expected to hold a strong position if U.S. prices or other terms of sale are competitive. The team reports, however, that prices for U.S. soybean oil, even at present low rates, still exceed those of competitive oils from several other sources. Some of these sources have shipped under bilateral or other special trading arrangements.

If this type of competition is to be met effectively, according to the team, either U.S. soybean oil must become price competitive or its trade must be arranged on concessional terms, such as long term dollar credits or sales for foreign currencies under Public Law 480.

Morocco: This country normally requires imports of approximately 60,000 to 65,000 tons of vegetable oils, including the oil equivalent of imported oil-bearing seeds. During the 1966-67 crop marketing year, U.S. oil exports to Morocco declined to approximately 5,000 tons as compared with exports ranging from 16,000 to over 45,000 metric tons in the preceding four seasons. This recent marked decline was largely due to a shift in Moroccan purchases from U.S. soybean oil to Russian sunflowerseed oil, acquired under a bilateral trading arrangement with that country.

The team found strong interest in Morocco for a resumption of soybean oil imports on a substantial scale, provided that competitive terms can be arranged under a P.L. 480 program.

Tunisia: Recently a Public Law 480 program was signed with Tunisia providing for the export of about 35,000 tons of soybean oil into that country during the 1967-68 fiscal year. This oil over the years has found a ready acceptance in Tunisia as a blend with domestically produced olive oil. An additional 10,000 tons might be needed before the end of the current U.S. crop year.

Iran: Between 1966 and 1967, Iran shifted from dollar purchases of U.S. vegetable oils to imports from other sources, primarily the USSR and Eastern Europe. This shift was made primarily because the price of U.S. oils became higher than prices of oils from other sources. A second factor in the shift was a favorable bilateral arrangement with the Soviets, under which Iranian soft goods such as shoes and sweaters were exported against Iranian purchases of 40,000 tons of Russian sunflowerseed oil.

Government and industry spokesmen are friendly toward U.S. oil purchases but are unwilling to buy U.S. soybean oil at prices above world prices for similar oils. U.S. soybean oil in November 1967 was about $15 per ton (delivered cost) above sunflowerseed oil or soybean oil from Europe.

During the team's visit in Iran, substantial interest was shown by both government officials and industry in the P.L. 480 private trade entity program, under which U.S. agricultural commodities are supplied to private entities overseas and the net proceeds of the sale are used for approved development projects. The U.S. Government obtains repayment in dollars with interest. The soybean oil team believes that this program, based on current price differences between U.S. and competing oils, represents the best means of reentering the Iranian market with U.S. soybean oil.

Iran's present import needs for vegetable oils approximate 80,000 tons per annum and are increasing. If private trade arrangements prove possible, as they appear to be, or if U.S. soybean oil again becomes price competitive, then the team foresees a good possibility of U.S. soybean oil reentering the Iranian market on a substantial scale.

Pakistan: For many years Pakistan has been the largest importer of edible vegetable oils from the United States under provisions of P.L. 480. All indications point to continued substantial needs in the years ahead, since domestic production is inadequate to supply even the present low per capita level of consumption. The Government of Pakistan is attempting to maintain internal vegetable oil prices sufficiently high to expand domestic oilseed production.

At present, about 120,000 tons of soybean oil are available to Pakistan under an outstanding P.L. 480 agreement. The oil presently programed is expected to be imported, but the rate of shipment will be governed largely by the rate at which the imported oil is moved into consumption channels and at what prices.

At the time of the team's visit the bulk of consumption requirements were being met with locally produced oil from this year's better than normal crops, particularly of cottonseed. A second factor affecting the rate of imports is the limited availability of bulk oil storage facilities in the country.

At the time of the team's visit, storage facilities for vegetable oil in West Pakistan were substantially filled with government-held stocks totaling almost 30,000 tons—of which about two-thirds was sunflowerseed oil from the Soviet Union and the remaining one-third soybean oil from the United States.

The team sees Pakistan as a continuing major outlet for U.S. oils, largely on concessional terms, provided that supplies are available in years ahead. The high domestic price levels of edible oils and fats tend to depress consumption and to encourage domestic production in Pakistan. Nonetheless, it will be difficult to increase domestic production rapidly enough to fill the increasing needs of the nation's population.

India: During the past three seasons, India has been a major importer of soybean oil under P.L. 480, taking approximately 100,000 tons under this program in 1966-67 when domestic production of oilseeds was reduced by severe drought. During the current season, India has a bumper crop of peanuts and other oilseeds. This, together with planned imports, will make it possible to increase consumption above the reduced levels that prevailed during the draught of the previous season.

At present, India has unused authorization to import approximately 75,000 tons of soybean oil under P.L. 480 during the remainder of the fiscal year 1968. India too is attempting, in the face of its large peanut crop, to so handle imports of oil that prices to farmers are maintained at incentive levels. The team expects, however, that this amount will be purchased in an orderly manner during the current fiscal year.

CROPS AND MARKETS SHORTS

Report on Rotterdam Grain Prices

During the week ending January 17, 1968, U.S. Hard Winter and U.S. Spring prices declined 1 cent per bushel in Rotterdam, while U.S. Soft Red Winter was unchanged. Canadian wheat dropped 3 cents, and USSR wheat, 2 cents. The price for Argentine wheat was unchanged.

U.S. and Argentine corn prices were unchanged. South African prices were up 3 cents.

Following is the listing of the week's Rotterdam prices:

Item	Week ending Jan. 17	Week ending Jan. 10	A year ago
	Dol. per bu.	*Dol. per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	2.04	2.07	2.27
USSR 121	1.93	1.95	(1)
U.S. No. 2 Dark Northern Spring, 14 percent	1.92	1.93	2.06
U.S. No. 2 Hard Winter, 12 percent	1.80	1.81	1.90
Argentine	1.79	1.77	1.93
U.S. No. 2 Soft Red Winter	1.73	1.73	1.89
Corn:			
U.S. No. 3 Yellow	1.41	1.41	1.57
Argentine Plate	1.60	[2]1.60	1.80
South African White	1.48	1.45	(1)

[1] Not quoted. [2] For March delivery, not quoted for February.
Note: All quotes are c.i.f. Rotterdam and for 30-to 60-day delivery.

West Germany's Tobacco Imports Shrink

Duty-paid imports of tobacco into West Germany totaled 211.9 million pounds in the first 9 months of 1967, 9 percent less than those for January-September 1966.

The United States supplied 78.1 million pounds this year, or 36.8 percent of the total, compared with 83.0 million, equal to 35.5 percent of the total, in the corresponding period of 1966. Greece, Bulgaria, and Turkey also supplied less tobacco to West Germany this year.

Imports from East Asian countries showed a marked increase. Those from Indonesia, Mainland China, Japan, the Philippines, Taiwan, Thailand, and South Korea totaled 44.5 million pounds in January-September 1967, compared with 30.4 for the first 9 months of 1966.

WEST GERMANY'S DUTY-PAID TOBACCO IMPORTS

Origin	January-September 1966	January-September 1967
	1,000 pounds	*1,000 pounds*
United States	82,968	78,073
Greece	39,757	31,134
Indonesia	6,674	15,983
Bulgaria	16,691	10,785
Brazil	8,490	9,818
Mainland China	5,307	7,677
Italy	5,585	6,604
Japan	6,265	6,441
Turkey	10,594	6,083
Philippines	3,037	4,381
Rhodesia	13,873	4,223
Taiwan	2,648	4,112
Colombia	3,377	3,593
Thailand	4,750	3,458
Dominican Republic	2,736	3,238
Mexico	4,301	3,187
South Korea	1,750	2,496
Others	14,698	10,602
Total	233,501	211,888

Tobacco Intelligence, London.

Japan Takes Less Soybeans and Meal

Japan's imports of soybeans during January-November 1967 totaled 1,915,027 metric tons (70.4 mil. bu.), slightly less than the 1,963,397 (72.1) imported a year ago. Imports from the United States decreased about 1.8 million bushels, while shipments from other countries showed a slight gain of 0.1 million.

Only 2,276 tons of soybean meal were imported during the 1967 period. Virtually all of the soybean meal came from the United States.

Imports of safflowerseed totaled 116,234 tons, or 5 percent less than in the 1966 period. Imports of U.S. safflowerseed, however, increased to 101,971 tons from 95,822 a year earlier.

JAPAN'S IMPORTS OF SOYBEANS, SOYBEAN MEAL, AND SAFFLOWERSEED

Commodity	1965	1966	Jan.-Nov. 1966	Jan.-Nov. 1967
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Soybeans:				
United States	1,464.9	1,722.1	1,595.9	1,545.1
Total	1,847.5	2,168.5	1,963.4	1,915.0
Soybean cake and meal:				
United States	41.7	7.0	6.9	2.3
Total	46.3	7.4	7.3	2.3
Safflowerseed:				
United States	112.7	108.6	95.8	102.0
Total	113.4	147.6	123.0	116.2

Japanese Customs Bureau, Ministry of Finance.

Australian Sugar Estimate Lowered

Australia's 1967-68 sugar production is estimated at 2,570,000 short tons—a drop from the earlier estimate of 2,726,000. Output is, however, 8,000 tons above that in the previous season.

The downward revision in the estimates is attributed to exceptionally heavy rainfall in Goondi and Hambledon. The crops at Victoria and Macknade suffered only temporary flooding, and the growth there was not seriously affected. It is expected that Australia will have sufficient sugar to meet its export commitments during the current year even though the crop will not be as large as originally anticipated.

Iranian Date Crop Below 1966

The 1967 Iranian date pack is still estimated at 310,000 short tons, 3 percent below the 1966 pack of 320,000 and 6 percent below the 1961-65 average of 329,900. Heavy winds during June and early July contributed to a 20 percent smaller crop

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in Khuzistan, the region where export-quality dates are grown.

Exports are expected to exceed the 1966-67 level of 33,000 tons. Canada, the United Kingdom, Oman, India, and the United States were the major export markets for Iranian dates during the 1966-67 season.

IRAN'S SUPPLY AND DISTRIBUTION OF DATES

Item	1965-66	1966-67	Estimate 1967-68
	1,000 short tons	*1,000 short tons*	*1,000 short tons*
SUPPLY			
Beginning stocks (Sept. 23)	22.0	21.0	32.0
Production	315.0	320.0	310.0
Imports	---	---	---
Total supply	337.0	341.0	342.0
DISTRIBUTION			
Exports	29.2	33.0	34.0
Domestic disappearance	286.8	276.0	276.0
Ending stocks (Sept. 22)	21.0	32.0	32.0
Total distribution	337.0	341.0	342.0

Turkish Fig Crop Revised

Prospects of the largest Turkish fig crop in recent years were dashed by September rains which affected both the volume and quality of the 1967 fig crop. The pack is now estimated at 52,000 short tons, 5 percent below 1966's but still the second largest crop since 1961 and 7 percent above average. However, quality is reportedly only average.

TURKISH SUPPLY AND DISTRIBUTION OF DRIED FIGS

Item	Average 1961-65	1965	1966	[1]1967
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Beginning stocks (Sept. 1)	----	----	----	----
Production	48.4	49.0	55.0	52.0
Imports	----	----	----	----
Total supply	48.4	49.0	55.0	52.0
Exports	35.8	35.9	38.4	39.0
Domestic disappearance	12.6	13.1	16.6	13.0
Ending stocks (Aug. 30)	----	----	----	----
Total distribution	48.4	49.0	55.0	52.0

[1]Preliminary.

Exports are expected to total slightly more than the 1966-67 level of 38,400 tons. During the first 2 months of the 1967-68 season, exports of dried figs and industrial figs were above those for last season. France, West Germany, Sweden, and the United Kingdom have been the major foreign markets for Turkish dried figs so far during 1967-68. Although early season exports of paste were running below those of last season, the major portion of paste exports normally does not occur until after January 1.

Spain Cuts Import Duties

Spain has announced cuts in some import duties, effective December 1, 1967, on various foodstuffs following devaluation of the peseta by 14.3 percent. The cut is intended to increase essential food imports to meet consumer demand and assure success of the austerity program, which pegged prices and frozen wages for 1968 at a pre-devaluation level. The austerity program is designed to check inflation, brake consumer demand, stimulate savings, and essential investment and improve the balance of payments.

Some notable cuts in duties with previous figures in parentheses at the old exchange rate: (in U.S. dollars per metric ton) were barley 12.49 (25.10), corn 13.26 (29.00), grain sorghum 9.36 (20.63), millet 0.14 (25.10), refined soybean oil 57.60 (92.18), crude soybean oil 36.17 (67.32). Also benefitting from duty cuts were imports of meat, seeds, and crude and refined vegetable oi.

World Crops and Markets

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